



## Converting a Standard-Rated Policy to a Preferred Risk Policy



### How to Save Property Owners Money

When a property in a high-risk zone (i.e., Zones beginning the letter A or V) is re-mapped into a moderate- to low-risk zone (i.e., Zone X, Shaded Zone X) due to a map revision or Letter Of Map Change (LOMC)<sup>1</sup>, the mandatory purchase of flood insurance requirement no longer will apply. However, property owners still are at risk for flooding. In fact, more than 20 percent of all flood claims occur outside of mapped high-risk flood zones.

The National Flood Insurance Program provides a streamlined process to allow property owners to retain their coverage by converting their existing standard-rated policy (residential or non-residential) to a less-expensive Preferred Risk Policy (PRP) without a change in the policy's effective date or a gap in coverage. In addition, the standard-rated policy's premium is used to cover the less-expensive PRP premium, and property owners will receive a refund of the difference in cost following the issuance of the PRP.

### Easy Steps for Conversion

The Federal Emergency Management Agency has simplified the process for converting standard-rated policies to PRPs:

1. Find out when the LOMC or map revision will become effective.
2. Identify the existing policyholders that will be affected by the change.
3. Determine the affected policyholders that are eligible for a PRP (e.g. some may not be due to loss history; see your Agent's Manual for details).
4. Inform the policyholders identified in step 3:
  - a. about the upcoming change,
  - b. that the risk has been reduced but not eliminated and therefore, they should maintain coverage,
  - c. they are eligible for a low-cost PRP; and
  - d. they will receive a refund with no gap in coverage.
5. With the information in step 4, provide policyholders a quote with the new premium costs and the closest PRP set limits of building and contents (offer the next highest option if there is not an exact match).
6. Enclose a letter from the insured requesting conversion of the existing standard-rated policy to a PRP.
7. Forward a completed PRP application and insured-signed conversion request to your flood insurance company along with a copy of the new map panel, LOMC, or a letter from a community official.
8. A PRP will be issued using the original effective date of the standard-rated policy, and a refund will be sent to the premium payer listed on the policy.

**Note:** If the policyholder wishes to have more specific limits or if the property is *not* eligible for a PRP, a standard-rated policy with the new zone designation can still be endorsed. The endorsement effective date is the date of the map change.





## Benefits

When your clients' properties are mapped out of high-risk areas, they need to know that their risk is reduced but not removed. As their insurance agent, you should ensure that they are informed about this low-cost conversion option. This can help reduce your E&O exposure while they take advantage of the following benefits of this easy conversion:

- Streamlined conversion process for you and your clients
- No additional payment required
- No 30-day waiting period
- Uninterrupted coverage
- A refund for the difference of policy costs
- Commission for the agent on both policies

## For More Information

For more information on how to market the PRP, including templates and talking points, visit:

**[Agents.FloodSmart.gov/conversion](https://agents.floodsmart.gov/conversion)**.

<sup>1</sup> LOMC – Letter of Map Change; for example, this could be a Letter of Map Amendment (LOMA) for a particular property(s) or a Letter of Map Revision (LOMR) for a larger portion of a flood map.